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Post-War Trends In World Economics

A Summary of the International Economic Conference

THE conclusions reached by the International Economic Conference and the system of ideas to which the Conference gave rise are of the utmost significance to the future of world commerce and industry and the problem of peaceful relations among the nations. Little can be expected in the way of immediate and tangible results from the Conference. Although it adopted certain recommendations, the most important result was in arousing public opinion on certain very definite points of international policy.

Summoned by the Assembly of the League of Nations for the express purpose of investigating the economic causes of the present world maladjustment, the Conference, through the work of the Preparatory Committee, the work of the three major committees on Commerce, Industry and Agriculture; and through the open discussions in the plenary sessions, brought to the attention of the world a wealth of valuable material and provocative ideas. It is not the purpose of this report to summarize the conclusions reached by the Conference but rather to set

forth briefly some of the main trends in the world economic situation which were brought to the attention of the Conference, and which will doubtless be of great influence in world economic reconstruction.

The world situation nine years after the war offers many contrasts to that existing in 1913. So great are the changes which have taken place that it is no longer possible, as Mr. W. T. Layton, Editor of the London *Economist*, pointed out in his speech at the opening sessions, to use the conception of "back to pre-war" as a starting point for world economic reconstruction. A number of world-wide and historic changes have taken place which make it necessary to face the facts not merely of a "disturbed equilibrium in industry and commerce," but an entirely new equilibrium—a new economic *status quo*.

Some of these changes have taken place on the continent of Europe itself while others have taken place outside that continent. Chief among the latter is the new position that the United States has come to occupy in world affairs, both as a world economic

and political power and as a competing merchant in world trade. Our domestic economy offers a striking illustration of prosperous economic development which has been held up, either rightly or wrongly, as a model for Europe. The second among the factors outside the European continent proper is the position of Russia, whose international commerce before the war bulked large in European trade and which offered commercial potentialities of the greatest importance. Communist Russia of today, however, with its policy of isolation from the capitalistic countries of the world has a smaller proportion of world trade than that of Denmark before the war, and its rigid restriction of imports makes unlikely the development of satisfactory commercial relations within the near future.

THE ECONOMIC POSITION OF THE UNITED STATES

The first and most far-reaching influence of the United States on the general world situation is that which it exercises as a capital exporting nation. In the brief period of a little more than a decade the United States has changed from a net debtor of more than two and a half billion dollars to a creditor of approximately thirteen billion dollars, in addition to so-called political debts resulting from the war.

This large scale export of capital from the United States has been a potent influence in the reconstruction of Europe after the war. American capital assisted many European nations, notably Germany, Italy, the Scandinavian countries and southeastern Europe, to restore their industrial activities, and in other continents, especially in South America, it has enabled developments to continue despite the heavy reduction in the export of capital from Great Britain and the other nations who were the leading lenders previous to 1914. What the ultimate consequences of this unusual situation will be it is difficult to predict.

The conditions under which this export of capital has taken place are unlike any to which the world has hitherto been accustomed. Before the war, Great Britain, France and Germany were the three large capital exporting nations of the world, and

Great Britain was the only one that had capital exports comparable in size to those of the United States today. The British economic system, however, differed greatly from that of the United States. It was built around the practice of buying raw materials from other countries and exporting manufactured goods to them. Thus Great Britain was enabled to have a regular import balance on visible items of commerce which made possible payments to British creditors. The United States, on the other hand, shows a huge balance of exports over imports and by a high protective tariff is preventing the products of European countries from being shipped into the country. At the same time the United States Department of Commerce is promoting an even greater increase in American exports. Moreover a large portion of the raw materials needed for American industry are found within its own borders. The United States is not, like England, entirely dependent upon the outside world for foodstuffs and raw materials. This situation has created a difficult exchange problem, both from the point of view of the United States and of the outside world. For the most part, however, while the problems of international exchange and collection of intergovernmental debts were ever present in the background of the discussions at Geneva, the American delegation and those of European countries avoided bringing them to the forefront.

AMERICAN INDUSTRIAL ORGANIZATION INTERESTS EUROPE

The phase of American activity that most interested the delegates to the Economic Conference was not the relation of the United States to the outside world, but its domestic economic and industrial prosperity. The system of mass production which to Europeans has come to symbolize the American economic system—high wages, the so-called “rationalization” of industry, and the absence of tariffs and customs formalities across the boundaries of the forty-eight States—were subjects of the greatest interest. Our Geneva correspondent, in commenting on the attitude of the American delegation, writes:

“The American delegates have considered themselves rather as representatives of the

United States than as individuals and that has to some degree hampered them in expressing their opinions. They have taken part in some of the discussions in a very interesting manner and Mr. Norman Davis in particular has played an important role in the commerce commission. But their remarks have been rather of a negative character and have tended to show the Conference the differences between the situation in the United States and that in Europe, and the reasons why America would not be able to accept the suggestions of the Conference on various subjects."

Nevertheless certain American ideas dominated the Conference. The most important was the concept of "rationalization," a European term coined to describe modern American industrial organization. Mr. David Houston, formerly Secretary of Commerce of the United States, submitted a memorandum to the Conference on "rationalization" of industry, in which he defined the term as meaning the three elements: stabilization, standardization and simplification in industry and commerce. Mr. Houston pointed out that the war gave a powerful stimulus to rationalization in one form or another, through its encouragement of mass production, through the restriction by government fiat of certain types of unnecessary production, through the cooperation of industrial leaders, through the collection of a body of industrial statistics which showed the possibilities of control in the proper use of statistics, and through various other factors.

In addition to the lessons learned from the war were those derived from the disastrous post-war boom and crisis of 1919-21. The depression greatly stimulated the study of business cycles which had been begun on the eve of the war by the publication of Dr. Wesley Clair Mitchell's "Business Cycles." The exchange of information and the work both of private statistical bureaus and of government agencies are largely responsible for the cooperation and exchange of information in the business world.

THE NEW POSITION OF RUSSIA

The other great change in the world economic situation outside of Europe proper is the position of Soviet Russia. As pointed out above, Russia before the war was both an actual and potential economic power of the greatest importance to Europe. One of

the immediate results of the Soviet revolution was the complete breaking of this economic tie with capitalistic countries. It is true that the Soviet Government has carried on trade with the other countries, but its proportion in relation to the pre-war volume is exceedingly small, and its potentialities have been lessened by Russia's attempt to become economically self-sufficient. But in striving for economic self-sufficiency Russia has found itself unable to build up sufficient capital for the development of its industries. Russia's sudden decision to send a delegation to the Geneva Conference raised the question of whether it was about to abandon its policy of isolation in order to attempt to secure capital from the capitalistic nations. This theory seems to be discredited by the results of the Conference. It is much more probable, as pointed out by our Geneva correspondent, that Russia came to the Conference to prove to the world that it is perfectly possible to trade with Russia and that the economic reconstruction of the world cannot be accomplished without doing so.

Our Geneva correspondent writes:

"As to the political reasons for their (the Soviet Government's) participation in the conference, one can only make conjectures. It seems, however, that Russia realizes more and more the impossibility of relieving its country economically without participating in an active manner in world commerce. Economic isolation being impossible, contact with the world can be reestablished only by universal revolution or by an accord with the capitalistic states. The idea of the universal revolution has fewer and fewer adherents in Russia and it is in the direction of the capitalistic states that the official policy of the Soviets is more and more swinging. The latter have doubtless seen in the Economic Conference an excellent means of getting into contact again with all the countries at once and particularly with their most influential business men. That is why, although the Russians have not yet given any indication of their intentions, one does not believe that they are disposed to raise difficulties in the Conference. It is much more probable that they came there to prove to the workers of all the countries that one can perfectly well trade with Russia and that one cannot bring about the economic reconstruction of the world without doing so."

CONDITIONS IN EUROPE

Available economic data clearly shows that not only in the world in general, but

also in Europe rapid progress has been made in recent years in the process of recovery from the results of the war. Immediately after the war practically every country in Europe found itself saddled with depreciated currency and unstable budgets. In addition, Europe was faced with the very difficult problems of intergovernmental debts and reparations. At the present time both the debt and the reparation problems have been settled for the time being. Every important commercial country, with the exception of France and Italy, has stabilized its currency, and in these countries there has been established what amounts to a *de facto* stabilization. The memoranda of production and trade show that in 1924 European production of raw materials and food, which had fallen to such low levels after the war, had recovered to 90 per cent of the output of 1913, while in 1925 it rose to 104 per cent. Trade has not recovered to so great an extent, but in 1924 the trade of Europe, which almost ceased during the war, reached 89 per cent of the 1913 level and rose to 94 per cent in 1925. Production is increasing and there is a large decrease in the number of unemployed. In general it can be said that the condition of European commerce, industry and trade is much more satisfactory than it has been at any time since 1913. At the same time this progress has not taken place as rapidly as had been hoped. In many industries, notably in iron, steel and shipbuilding, production has so far exceeded the effective demand for those products that this condition in itself has been the cause of considerable economic distress.

The difficulties confronting the steel industries, for example, are primarily due to the expansion of plant resulting from the war. This is even more true of shipbuilding. During the three years from 1918 to 1920 an average of 6,151,000 tons per annum were launched as compared with 2,489,000 tons per annum in the five years preceding the war. It is also estimated that the world shipping tonnage in 1925 totalled 64,500,000 tons as against a probable effective demand in the near future of 55,000,000 tons.

The redistribution of important continental producing areas has also had serious reactions on the most essential industries,—coal, iron and steel. Under the Treaty of

Versailles, Germany lost approximately two-fifths of her pig-iron and steel producing capacity and France became in 1925 the greatest exporter in the world of products of the heavy metal industry. A new coal exporting area developed in Polish Silesia, resulting in serious maladjustments.

"MALPRODUCTION" AND TARIFFS HAMPER EUROPEAN RECOVERY

The reasons for European economic depression in the face of a comparatively rapid increase in industrial production are twofold:

1) Malproduction, that is, the failure to adjust production in general, and particularly in specific industries, to the effective demand for those commodities. This is due to several causes—lack of adequate commercial information; protective tariffs which do not permit an economic specialization of industry and consequently give rise to numerous protected industries which could not exist in open competition; and the influence of the war which unduly stimulated production in certain lines. In general, however, it is due to the irrational scheme of organization of European industry.

2) The restrictions which have been put upon European trade, not only in the form of high tariffs but in the lack of uniformity in customs standards and, in general, the whole scheme of petty commercial restrictions to which European nations have resorted since the war. These nationalistic commercial barriers result partly from the change in frontiers in Europe. Seven thousand kilometres of new national boundaries were created by the war, the most outstanding example being the division of the old Austro-Hungarian Empire.

The situation has been described by a distinguished German economist, Professor Julius Hirsch, as follows:

"It must be remembered that Europe covers a territory no larger than that of the United States, but within the latter there are no frontiers; over here, on the contrary, there were thousands of kilometres of frontier before the war; since then the number has been increased. We have now some twelve or thirteen new states and the aggregate length of the new frontiers approximate 7,000 kilometres. That, if I may be allowed the word, means the Bal-

kanisation of Europe, the political reasons for which I am not going to criticize, but the economic effects of which I do question.

"To give an idea of this additional line of frontier, I may point out that it is equivalent to the length of the two fronts which divided Europe during the war, and twice the length of our trenches on all sides. On either side of these frontiers there are hosts of people whose sole business it is to control men and goods, the free exchange of commodities and of human ideas. On either side of these 7,000 kilometres of new frontier we find fresh changes, new regulations with regard to passports, customs rates that change from day to day. This system of economic Balkanisation is to my mind responsible for the reduction in the producing power of the Continent, because at a time when big business commands the market it has changed the Continent into a lane of petty shops."

CLASH OF INTERESTS AT GENEVA

In general there are two methods of approach to the European commercial and industrial problem. The first was the policy of free-trade, or at least "freedom of trade," sponsored by the British and Scandinavian delegations. Mr. Layton, of the British delegation, was the outstanding advocate of the principle of free-trade as a solution of European economic ills and he was effectively seconded by Professor Gustav Cassel, the distinguished Swedish economist.

The second method was most forcefully presented in a memorandum on methods of economic *rapprochement* through industrial understandings, submitted to the Conference by Eugene Grossman, professor of political science at Zurich University.

These two viewpoints, although not necessarily hostile, revealed the fundamental clash in economic interests both within and without the Conference. Great Britain, with the backing of the Scandinavian countries, attempted to use the Conference for the purpose of spreading free-trade ideas, while the continental countries were more concerned with the rationalization of industry and methods of economic *rapprochement* through agreements among producers.

In this connection our Geneva correspondent writes:

"The Commerce commission has been up against several tendencies clearly inspired by national interests. The first is a free-trade tendency whose spokesmen were Mr. Layton

(England), M. Cassel (Sweden), M. Colijn (Holland), and M. Reidl (Austria). The representatives of the workers favor this; although often protectionists in their own countries, they are upholding a policy of free-trade in the international field.

"The British delegation has undergone an interesting change. It is known that the Conference was originated by French manufacturers and that its principal aim, in the eyes of its initiators, was to stress the international importance of industrial understandings. For this reason, the English were not very sympathetic, since their very individualistic industrial organization is ill prepared to participate in international cartels. But, since then, England has understood that the Conference might serve to spread free trade among the other countries and has, therefore, brought all its strength to bear upon the commerce commission, which the French would have preferred to relegate to the shade. It must be recognized that the British tactics have been completely successful and that the commerce commission has assumed a much greater importance in the Conference than the industrial commission.

"The French have favored an international recognition of cartels which gives them the great advantage of a legal position in France where legislation is not very favorable to them. The workers would have liked to submit the cartels to a very strict control, both national and international. The American and English tendency was directed rather toward complete liberty. The constitution of the cartels concerns no one, and in any case where abuses might arise the remedy would be found in freedom of action. Finally the functionaries of the League of Nations were favorable to a system of very moderate publicity, of such a kind as to satisfy public opinion without really hampering the functioning of the industrial understandings."

"It seems that the French delegation will be able to depend upon the German delegation in the discussions. Each time that economic problems are raised, these two countries, far from being opposed to each other, immediately discover common interests. Concerning England the situation is different, but has been much improved. At the time when the Economic Conference was proposed the British delegation multiplied objections; but little by little the English manufacturers seem to have realized that if something permanent was organized in the world it would be better to be a part of it than to be out of it. The April statistics show that Great Britain produced more in the metallurgical line during this month than she ever produced before, without any exception. This intensified production evidently comes from the stabilization of the franc, which deprived French industries of the artificial premium (advantage) of exportation which they derived from the depreciation

of currency. But the English realize very well that in that lies an element both uncertain and fundamentally unsound and they seem acquiescent now to the idea of international understandings."

Under the caption, "Behind the Scenes," our Geneva correspondent continues:

"It is assured that rather active negotiations have taken place behind the scenes between French and German industrials. The French would like to influence the Germans to organize cartels in a certain number of domains in which it seems to them difficult to become effectively protected by customs laws. The German industrials did not agree to their idea, declaring that they did not wish, through the constitution of cartels, to take from their government efficacious methods of negotiation and thus to hamper their country's power at the moment when France has just established a very high new customs tariff."

BRITISH PLEA FOR FREE TRADE

The British view of the situation is most ably presented in the short statement which the British delegates submitted in reply to the invitation of the President of the Conference. In this document, the British set forth the advantages of free-trade both to Great Britain and to the other nations of Europe as follows:

"The national economy of Great Britain does not aim at self-sufficiency. Any such ideal has been abandoned for more than a century, and ever since the prosperity of Great Britain has been intimately bound up with the progress of the world's international commerce, which is estimated to have increased in volume fourfold in the forty years prior to the outbreak of the war.

"It is, therefore, not surprising that in spite of the comparative abundance of capital and the relative stability in our monetary system, this country has suffered severely from the check to international commerce that has been caused by the war and its aftermath.

"At the present time Great Britain is more dependent than any other great commercial country on its export trade to enable it to supply the needs of its economic life. Just before the war no less than 30 per cent of the total industrial production of Great Britain was exported, and though the proportion is now somewhat lower, it is probably not less than a quarter.

"From the standpoint of Great Britain a recovery of British exports is essential. Such a recovery is dependent, however, upon the prosperity of the world generally. It is, therefore, to the interest of Great Britain to further the economic recovery of the world so far as lies in her power. . . .

"On the other hand, the recovery of British exports is also a necessary condition for world prosperity. In 1925, Great Britain imported one-fifth of the total exports of all other countries—a far larger proportion than any other single country. When Britain is buying freely, favorable repercussions are felt in every continent—our supplies being drawn in about equal proportions from Europe, from the British Empire, and from other extra-European countries. Our purchases are likely to increase with the absorption of our unemployed and with a renewed advance in the standard of living in Britain. But this is unlikely to happen for a long time to come unless we can achieve full employment in our staple industries, which in its turn means that our exports must expand. We can only continue to buy on the same scale if we have the opportunity of selling freely.

"Moreover, the lending as well as the buying power of Great Britain is similarly dependent upon the recovery of her exports."

This is essentially a re-statement of the case presented in the manifesto of the bankers and industrialists, made public on October 19, 1926, in which present European tariff policies were emphatically condemned in the following words:

"There can be no recovery in Europe until politicians of all territories, old and new, realize that trade is not war but a process of exchange; that in times of peace our neighbors are our customers and that their prosperity is a condition of our own well-being.

"It is difficult to view without dismay the extent to which tariff barriers, special licenses and prohibitions since the war have been allowed to interfere with international trade and to prevent it from flowing in its natural channels. At no period in recent history has freedom from such restrictions been more needed to enable traders to adapt themselves to new and different conditions and at no period have impediments to trading been more perilously multiplied without a true appreciation of the economic consequences involved."*

This viewpoint has also been upheld by the Trade Barriers Committee of the International Chamber of Commerce.

RAPPROCHEMENT BY INDUSTRIAL COMBINES

The method of economic *rapprochement* as a means of solving Europe's problems of production is examined at some length in Mr. Grossmann's memorandum. He takes as an example the United States, where the

*For full text see Information Service, Vol. II, No. 18, "The International Tariff Problem."

extent of the market has rendered possible cheap production based on a highly developed division of labor. "In Europe," Mr. Grossmann writes, "nobody has thought of suggesting that the Old World might itself constitute such a market. All the recognized benefits of the division of labor within a country are disputed when there is any question of applying this principle internationally. This is due primarily to a certain nationalist ideology which tends to support the idea of the self-sufficing national economy, but also to the condition of public finance since the war which has made it impossible for governments to do without their customs revenues."

Professor Grossmann prefers economic *rapprochement* by means of agreements between producers of the various countries. One of the most important advantages of such agreements he points out is the rapidity with which they can be put into operation. Professor Grossmann concludes his memorandum with an outline "of a method of economic *rapprochement* through private initiative," as follows:

1. The systematic constitution of as large a number as possible of international cartels for agriculture; the International Institute of Rome for industry; the International Chamber of Commerce and the League Economic Committee might deal with these questions.
2. The fixing by the cartels of the shares of the industries of each country and the organization of specialized production.
3. Reduction of customs dues in countries where cartels work by means of a central fund organized by industrial concerns in order to refund to exporters the cost of freight and customs on all international consignments authorized by the cartel. The central fund would secure the necessary funds by subscriptions levied on the international cartels.

REPORT OF THE COMMERCE COMMITTEE

The final report of the Conference, which adopted in essentials the reports of its main committees on industry and commerce, was a compromise between the viewpoints of those who wished to establish freedom of trade and the proponents of industrial understandings. The Conference unanimously adopted the report of the Committee on Commerce, and unanimously recognized the desirability of simplifying and stabilizing customs tariffs as far as possible, of estab-

lishing a systematic customs nomenclature, and of setting up safeguards which would ensure the utmost fairness in the application of customs duties.

The work of the Committee of Commerce was summarized by the President, M. Theunis as follows:

"The essential conclusion which has been arrived at from the discussion in this field is that the time has come to put an end to the growth in customs tariffs and to reverse the direction of the movement by effort made along the three following lines:

First. Individual action by the various states with regard to their own.

Second. Bi-lateral action through the conclusion of suitable commercial treaties.

Third. Collective action by means of an inquiry undertaken by the Economic Organization of the League of Nations with the view of encouraging the extension of international trade on an equitable basis, by removing or lowering the barriers to international exchange set up by excessive customs tariffs."

The report of the Commerce Committee removes the question of customs tariffs from the strict domain of national sovereignty and recognizes that the scope of these problems calls for parallel or concerted action among the different nations. This marks a considerable step in the evolution of ideas in regard to customs tariffs.

REPORT OF THE COMMITTEE ON INDUSTRY

The Committee on Industry made no specific recommendations with respect to measures for controlling international cartels. It did, however, recommend measures toward the "rationalization of industry" and the compilation and use of more accurate economic information. The following is a deleted summary of the conclusions of the Conference with respect to "rationalization," international industrial agreements and the use of information.

The Conference considers that such rationalization aims simultaneously:

1. At securing the maximum efficiency of labor with the minimum effort;
2. At facilitating by a reduction in the variety of patterns (where such variety offers no obvious advantage) the design, manufacture, use and replacement of standardised parts;
3. At avoiding waste of raw materials and power;
4. At simplifying the distribution of goods;

5. At avoiding in distribution unnecessary transport, burdensome financial charges and the useless interposition of middlemen;

Its judicious and constant application is calculated to secure:

1. To the community greater stability and a higher standard in the conditions of life;
2. To the consumer lower prices and goods more carefully adapted to general requirements;
3. To the various classes of producers higher and steadier remuneration to be equitably distributed among them.

FORMAL RECOMMENDATIONS OF THE CONFERENCE

The Conference accordingly recommends that Governments, public institutions, trade and industrial organizations or public opinion as the case may be:

1. Should lead producers to direct their endeavors along the lines indicated above, and, in particular:
 - a. To encourage and promote in every way the investigation and comparison of the most adequate methods and most practical processes of rationalization and of scientific management, and of the economic and social results obtained thereby;
 - b. To apply these endeavors in industry, agriculture, trade and finance, not merely to large but also to medium and small undertakings, and even to individual workers and handicraftsmen, bearing in mind the favorable effects which they may have in household organization and amenities;
 - c. To give special attention to measures of a kind calculated to ensure to the individual the best, healthiest and the most worthy employment, such as vocational selection, guidance and training, the due allotment of time between work and leisure, methods of remuneration giving the worker a fair share in the increase of output, and, generally, conditions of work and life favorable to the development and preservation of his personality;
2. Should carry on systematically on an international as well as a national basis the standardization of materials, parts and products of all types which are of international importance, in order to remove the obstacles to production and trade which might arise from a purely national policy of standardization;
3. Should undertake on an international basis investigations for ascertaining the best methods employed and the most conclusive results obtained in every country in the application of the principles set out above, utilizing the investigations already made in certain countries and encouraging the exchange of information among those concerned;
4. Should spread in all quarters a clear realization of the advantages and the obligations involved in rationalization and scientific management as

well as of the possibility of their gradual achievement.

INTERNATIONAL INDUSTRIAL AGREEMENTS

The Conference has examined with the keenest interest the question of industrial agreements, which have recently had considerable development and have attracted close attention from those sections of the community whose interests are affected by them and from the public opinion of the various countries.

The discussion has revealed a certain conflict of views and has occasioned reservations on the part of the representatives of different interests and countries. In these circumstances, the Conference has recognized that the phenomenon of such agreements, arising from economic necessities, does not constitute a matter upon which any conclusion of principle need be reached, but a development which has to be recognized and which, from this practical point of view, must be considered as good or bad according to the spirit which rules the constitution and the operation of the agreements, and in particular according to the measure in which those directing them are actuated by a sense of the general interest.

The Conference considers that the field of operation for agreements, both national and international, is usually limited to branches of production which are already centralized and to products supplied in bulk or in recognized grades, and that, consequently, they cannot be regarded as a form of organization which could by itself alone remove the causes of the troubles from which the economic life of the world and particularly of Europe is suffering.

Nevertheless, in certain branches of production they can—subject to certain conditions and reservations—on the one hand, secure a more methodical organization of production and a reduction in costs by means of a better utilization of existing equipment, the development on more suitable lines of new plant, and a more rational grouping of undertakings, and, on the other hand, act as a check on uneconomic competition and reduce the evils resulting from fluctuations in industrial activity.

By this means they may assure to the workers greater stability of employment and at the same time, by reducing production and distribution costs and consequently selling prices, bring advantages to the consumer. It is generally recognized that in this way agreements may in some cases be useful not only to producers but also to consumers and the community in general.

Nevertheless, the Conference considers, on the other hand, that such agreements, if they encourage monopolistic tendencies and the application of unsound business methods may check technical progress in production and involve dangers to the legitimate interests of important sections of society and of particular countries.

It consequently appears to the Conference that it is entirely necessary that agreements should not lead to an artificial rise in prices, which would injure consumers, and that they should give due consideration to the interests of the workers. It is further necessary that they should not, either in intention or effect, restrict the supply to any particular country of raw materials or basic products, or without just cause create unequal conditions between the finishing industries of the consuming and producing countries or other countries situated in the same conditions. Nor must they have for their object or effect any reduction in the economic equipment which any nation considers indispensable, nor should they stereotype the present position of production, whether from the point of view of technical progress or of the distribution of industries among the various countries in accordance with the necessities imposed upon each by its economic development and the growth of its population.

INTERNATIONAL SUPERVISION NOT YET POSSIBLE

The Conference considered the question whether there was ground for establishing a special juridical régime and a system of supervision over agreements.

The documentation resulting from the labors of the Preparatory Committee shows that specific legislative or administrative measures in this direction have been taken by a limited number of countries only and that the measures adopted are widely divergent both in conception and form.

The Conference recognized that, so far as regards agreements limited to the producers of a single country, it is for each Government to adopt such measures in regard to their operation as it may think advisable. It agreed, however, that it is not desirable that national legislation should place an obstacle to the attainment of the benefits which agreements might secure by exhibiting a prejudice against them as such.

So far as regards international agreements, it is generally recognized that the establishment of an international juridical régime is impossible in view of the divergencies between the measures which various countries have considered it necessary to take in the matter, and on account of the objections of principle which a number of States would feel on national and constitutional grounds to any such system. It has, moreover, been pointed out that the laws and regulations and the tribunals of each country have jurisdiction not only over national agreements but also over international agreements in so far as they involve operations within the national territory.

On the other hand, it is desirable that voluntary recourse by parties to agreements to ar-

bitral bodies should become general, subject to guarantees of the high competence of the latter in economic matters and their sense of the general interest.

From a more general standpoint, the Conference considers that the League of Nations should closely follow these forms of international industrial cooperation and their effects upon technical progress, the development of production, conditions of labor, the situation as regards supplies, and the movement of prices, seeking in this connection the collaboration of the various Governments. It should collect the relevant data with a view to publishing from time to time such information as may be of general interest. The Conference is of the opinion that the publicity given in regard to the nature and operations of agreements constitutes one of the most effective means, on the one hand, of securing the support of public opinion to agreements which conduce to the general interest and, on the other hand, of preventing the growth of abuses.

I. The Conference Considers that:

1. Effective and coordinated production can only be achieved in the light of information of a general character, but precise and up-to-date, concerning raw material supplies, output, stocks, prices, wages, employment, etc.;
 2. It is desirable that these current data should make it possible to compile for each country with sufficiently developed industries quantitative indices of its industrial production;
 3. Such information facilitates a proper adjustment of supply to demand and the laying-down of a policy of production counteracting the effects of fluctuations of commercial activity.
- In this connection, attention may be drawn to the resolutions which have already been adopted by the Economic Committee of the League of Nations.

The Conference accordingly recommends:

1. That statistics of this kind should be obtained regularly, for each country, both for the basic world industries and also, in order to render possible the compilation of quantitative indices of national production, for the chief industries of each country; and that this information should be obtained, in as (sic) far as possible, in collaboration with competent organizations;
2. That Governments should periodically take complete industrial censuses.

II. The practical value of such statistics is dependent on the compatibility and uniformity of the data furnished by each State.

It is desirable that adequate publicity be given to this information, and that it may be internationally coordinated and employed.

The Conference accordingly recommends:

1. That the Economic Organization of the League of Nations should take all suitable measures so

that Governments, in collaboration with the chief industries, should arrive at international agreements with reference to the definition of the terms, the methods employed, and the scope of the statistics;

2. That the Economic Organization of the League of Nations should collate the information provided referring to sources and supplies of raw materials, production, stocks, prices, etc., and the International Labor Office that concerning wages, hours of labor, employment, etc.;
3. That the Economic Organization of the League of Nations should arrange for the compilation of:
 - a. Statistical and general reports of an international character with reference to the organic development and the general conditions obtain-

ing in different branches of production, beginning with the basic world industries;

- b. Special studies concerning the sources of supply of certain types of raw materials, more especially of those a world shortage of which in the future may be anticipated;
- c. Reviews, similar to those which have already been published, of the changes which take place in world production and trade.

The work of the Agricultural Committee was of less immediate concern to the Conference than that of the committees of Industry and Commerce and space does not permit our summarizing its conclusions. M. Theunis however, in his concluding speech, reprinted in part below, discusses the work of this committee.

SUMMARY OF THE WORK OF THE INTERNATIONAL ECONOMIC CONFERENCE BY ITS PRESIDENT, M. THEUNIS.

The following is a brief review of the work of the Economic Conference taken from the concluding speech by M. Theunis:

The first part covers a general review of the World Economic Position. We have first had written reports from 24 nations, describing the principal features and problems as seen from the point of view of the respective countries; and these have been supplemented by further similar accounts in the speeches of the Conference. We have next, in the first Chapter of our Report, given a general picture of the present economic situation as it emerges from the documentation. Lastly, on this part of the Agenda, we have passed an important resolution stating our unanimous conviction that the maintenance of world peace depends largely upon the principles on which the economic policies of nations are formed and executed; that the Governments and peoples of all countries should constantly take counsel together as to this aspect of the economic problem; and that we should look forward to the establishment of a recognized body of principles designed to eliminate the economic difficulties which cause friction and misunderstanding. The object of the Conference, as the original Assembly resolution made clear, was a two-fold one. It has been concerned not only with the prosperity but with the peace of the world. This has been not only a special item on the agenda but a point of view which the Assembly wished should be borne in

mind throughout the discussion of particular problems. Economic conflicts and divergence of economic interest are perhaps the most serious and the most permanent of all the dangers which are likely to threaten the peace of the world.

No machinery for the settlement of international disputes can be relied upon to maintain peace, if the economic policies of the world so develop as to create not only deep divergencies of economic interest between different masses of the world's population, but a sense of intolerable injury and injustice. No task is more urgent or more vital than that of securing agreement on certain principles of policy which are necessary in the interests of future peace. And there is perhaps no question which, in comparison with its intrinsic importance, has had so little careful and collective deliberation. No single conference can do more than make a first beginning in such a task, but the ultimate results are incalculable.

Let us now come to the second part of the Agenda, which was divided into three main Chapters: "Commerce," "Industry," and "Agriculture" each of which has been dealt with by a special commission, whose reports and resolutions have been approved by the whole Conference.

Commerce

The fundamental idea on which the work of the Committee on Commerce was based, and which has appeared with increasing

force in the course of the discussions, is the necessity of restoring greater freedom to a world hitherto hampered by many obstacles due to the war and its consequences and to erroneous economic ideas. At the same time the feeling has appeared of the close interdependence of nations in this sphere and the importance of the reactions which measures taken by the various countries exert on the policy of the other countries.

In the first chapter of Commerce, the Conference first makes a number of recommendations, under the general heading "Liberty of Trading," an expression not to be confounded with "Free Trade," but embracing all measures calculated to liberate international commerce from artificial restrictions and obstructions. Under this heading the Conference expresses the hope that the diplomatic conference convened at Geneva for November next by the League of Nations might result in the real removal of import and export prohibitions and restrictions. It condemns the granting of special immunities and privileges to State-controlled undertakings which enable them to compete unfairly with private enterprises and commends and encourages the action now being taken by the Economic Committee for the removal of many impediments to international trade. Lastly, the Conference recommends the preparation of a Convention on economic and fiscal treatment of foreigners and foreign enterprises for which valuable information has been furnished by the report of the International Chamber of Commerce.

The Committee then took up the question of customs tariffs, distinguishing between their form and their substance, i. e., the actual amount of the import duties. As regards the question of form, the Conference unanimously recognizes the desirability of simplifying customs tariffs as far as possible, creating a systematic customs nomenclature, the use of which would in due course be regularized by international conventions, stabilizing customs tariffs, thereby eliminating a disturbing factor especially harmful to industry and commerce, and finally ensuring the utmost fairness in the application of the duties.

The main object of the work of the Committee has naturally been the question of

customs tariff levels, which is closely bound up with that of commercial treaties.

The essential conclusion which has been arrived at from the discussion in this field is that the time has come to put an end to the growth in customs tariffs and to reverse the direction of the movement by an effort made along the three following lines: firstly, *individual* action by the various States with regard to their own tariffs; secondly, *bi-lateral* action through the conclusion of suitable commercial treaties; thirdly, *collective* action, by means of an inquiry undertaken by the Economic Organization of the League of Nations, with a view to encouraging the extension of international trade on an equitable basis by removing or lowering the barriers to international exchange set up by excessive customs tariffs.

A fact that may be taken as marking a considerable step in the evolution of ideas in Customs tariffs is that this question, notwithstanding its fundamental importance in the economy of each State, has now come to be considered as no longer being exclusively within the domain of national sovereignty but as falling within the scope of problems for which parallel or concerted action among the different nations is possible and desirable. Each nation will then know that the concession it is asked to make will be balanced by corresponding sacrifices on the part of the other nations. As the Report of the Committee states, each country will then be able to give its attention to the proposed measures, not merely in view of its own individual position but also because it is interested in the success of the general plan laid down by the Conference.

Round the central idea of the diminution of Customs charges are grouped other questions which support it and tend to hasten its realization and render it more complete.

Thus the Conference next condemns the practice of penalizing imported goods by means of differential internal taxes; and declares that as the free movement of raw materials is essential for a healthy development of world trade, export taxes should be as low as fiscal requirements and exceptional and compelling circumstances permit, and should in any case not be discriminatory.

Finally, the Conference, having in mind the need of restoring the system of long-term

commercial treaties and recognizing that any such system must be built up on the mutual grant of unconditional most-favored-nation treatment, recommends that this important conception should be given the widest and most liberal interpretation.

The Economic Organization of the League should examine the possibility of securing a standard form of commercial treaty and uniform principles as to the interpretation and scope of the most-favored-nation clause.

Lastly, the Conference recommends States to consider the desirability of providing in their commercial treaties for the decision of disputed questions of interpretation or application or by a reference to the Permanent Court of International Justice.

There are certain indirect means of protecting national trade and national navigation. Although they exercise on the development of trade a less immediate influence than the fundamental problems specified just now, questions such as the granting of subsidies, dumping and discrimination imposed under the transport régime merited the attention of the Conference. The latter succeeded in preparing on this subject a number of texts which, without always indicating definite solutions—a very difficult matter owing to the wide variety of opinions held—have, however, the advantage of enlightening public opinion as to the true nature and inevitable consequences of the practices in question.

Industry

In the Report dealing with Industry the Conference begins by a brief analysis of the causes of the difficulties with which the industries of principal international importance are at present faced in certain parts of the world.

The Conference took as its central problem the question of how costs could be reduced without injury to the consumer or the worker. With this object it considered (1) "Rationalization" in its various aspects, and in this connection (2) International Industrial Agreements, and (3) the collection and exchange of information.

The Report enumerates in detail the aims of rationalization and declares that it must be applied with care so as not to injure the legitimate interest of the workers. It there-

fore recommends that Governments, public institutions, trade organizations and public opinion, as the case may be, should encourage producers to promote the investigation of the best methods and results of rationalization and scientific management, and standardization, not neglecting the smaller undertakings and giving special attention to measures calculated to promote social welfare.

The Report then turns to the question of Industrial Agreements which has recently attracted close attention, and on which the discussions at the Conference revealed a certain conflict of views. The Conference has laid down no conclusion of principle on the subject, but recognizes the growth of agreements as a development which may be either good or bad according to the spirit in which they are constituted and operated and the measure in which their directors are actuated by a sense of the general interest. Agreements cannot by themselves be regarded as the only remedy for the present causes of economic trouble; but within limits they may serve to improve the organization and reduce the cost of production. By checking uneconomic competition and diminishing industrial fluctuations, they may make employment more stable while benefiting the consumer. Nevertheless, agreements may involve danger if they encourage monopolistic tendencies and unsound business methods.

The Conference therefore lays it down that agreements ought not to lead to an artificial rise of prices and that they should not restrict the supply to any particular country of raw materials or basic products, or without just cause create unequal conditions between the finishing industries of consuming and producing countries or other countries similarly placed. Nor should they stereotype the present position of production or the distribution of industries.

No special system of supervision over agreements is recommended, and Governments which adopt measures regulating agreements within their country are advised not to place obstacles in the way of the benefits which such agreements might secure. While the divergencies between the national measures of supervision offer an obstacle to

the establishment of an international system, the Conference considers that publicity is one of the most effective means of preventing the growth of abuses and recommends that the League of Nations should follow closely the operations and effects of international agreements and should collect and publish such relevant data as are of general interest.

Lastly the Conference lays special emphasis on the importance of the systematic collection of accurate information both from the point of view of the leaders of industry and of the public. Accurate statistics should be obtained both for the basic world industries and also for the chief industries of each country, so as to render possible the compilation of quantitative indices of industrial production.

The Economic Organization of the League of Nations should endeavor to promote international agreements with regard to the terms, methods and scope of industrial statistics employed, and should collate the information provided as to raw materials, production, etc., the International Labor Office dealing with wages, hours, employment, etc.

In addition, the Economic Organization should arrange for the compilation of general reports, special studies and reviews bearing on industrial development, raw materials and changes in production and trade.

Agriculture

For the first time at this Conference agriculture has been represented side by side with commerce and industry in such a way that it can take its place in a general review of the economic situation of the world. From the documents available at the Conference it is evident that the dislocation of the prices of farm products in relation to those of manufactured products is causing a wide-spread depression in agriculture, which if some improvement is not achieved, may result in a diminution in agricultural production.

Perhaps the most important outcome of the agricultural discussions is the realization of the essential interdependence of agriculture, industry and commerce; that in the words of the report "it would be in vain to hope that one could enjoy lasting prosperity independently of the others."

The Conference considers that the first measures for the improvement of agriculture

must be taken by agriculturists themselves—by the general adoption of better technical methods, more scientific organization, an extension of the international campaign against diseases of plants and animals, and by cooperation and the organization of credit institutions. With regard to the cooperative movement, the Conference desires to emphasize the importance of direct relations between producers' and consumers' associations.

The credit difficulties in the way of agriculture, still so acutely felt in many countries, can only be surmounted by organizing national credit institutions where they do not yet exist or developing already existing institutions, with or without the assistance of the public authorities. The study of the question whether an international organization capable of increasing the resources available for agricultural credits is or is not a practical proposition is recommended.

In some of the measures mentioned above, private endeavor must be supplemented by Government action. With regard to legislative measures, the Conference recommends the extension of social legislation to the agricultural population, it being understood that special adaptation to the requirements of rural conditions would be necessary.

In agreement with the principles stated in the review of commercial conditions, the Conference lays stress on the desirability of removing hindrances to the free flow of agricultural products in so far as their removal does not endanger the vital interests of the various countries or their workers. Where a minimum of protection is necessary care should be taken to maintain an equitable balance between industry and agriculture and not to stifle the one to the advantage of the other.

The Conference further recommends the development of agricultural statistics, particularly on the basis of an exact system of farm accounting and with regard to livestock and animal products; also that a general inquiry be made into the present situation and the possibilities of developing agriculture, particular attention being given to the development of agriculture among the indigenous populations in colonies.

A special study should be made of the resources and the exploitation of forests in relation to the need for obtaining the regular supplies essential to industry.

In view of the interdependence of agriculture on the one hand and industry and

commerce on the other, the Conference requests the League of Nations to insure that in the organizations already existing or to be formed for the study of economic questions, agricultural interests shall be represented in proportion to their economic and social importance.

ANNEX I

AGENDA OF THE CONFERENCE ¹

First Part

THE WORLD ECONOMIC POSITION

Principal features and problems as seen from the point of view of different countries.

Analysis of economic causes of the present disturbed equilibrium in commerce and industry.

Economic tendencies capable of affecting the peace of the world.

Second Part

I. COMMERCE

1. Liberty of trading:
 - (a) Import and export prohibitions and restrictions.
 - (b) Limitation, regulation or monopolization of trade.
 - (c) Economic and fiscal treatment of nationals and companies of one country admitted to settle in the territory of another.
2. Customs tariffs and commercial treaties. Obstacles to international trade arising from:
 - (a) Form, level and instability of import and export tariffs.
 - (b) Customs nomenclature and classification.
3. Indirect methods of protecting national commerce and shipping.
 - (a) Subsidies, direct or indirect.
 - (b) Dumping and anti-dumping legislation.
 - (c) Discrimination arising from the conditions of transport.
 - (d) Fiscal measures discriminating against foreign imported goods.
4. Repercussion upon international commerce of reduced purchasing power.

II. INDUSTRY

1. Situation of principal industries (pro-

ductive capacity, output, consumption and employment).

2. Nature of present difficulties in industry; their industrial, commercial and monetary causes.
3. Possibilities of action:
 - (a) Organization of production, including, in particular, international industrial agreements, considered from the point of view of production, of the consumer and of labor; their legal position; their connection with customs problems.
 - (b) Importance of collection and prompt exchange of statistical information with regard to industrial production.

III. AGRICULTURE

1. The present position of agriculture compared with pre-war conditions, in respect of production, consumption, stocks, prices and free circulation of agricultural products.
2. Causes of present difficulties.
3. Possibilities of international action:
 - (a) Development of, and international collaboration between, producers' and consumers' organizations, including the different systems of cooperative organization.
 - (b) Continuous exchange of all relevant information concerning agricultural conditions, scientific and technical research, agricultural credit, etc.
 - (c) Development of the purchasing power of agricultural producers.

¹League of Nations. C. E. I. 6. (Publications, 1926. II. 64).

OFFICIAL DOCUMENTS OF THE INTERNATIONAL ECONOMIC CONFERENCE*

I. WORLD ECONOMIC POSITION

INTERNATIONAL ECONOMIC CONFERENCE, 1927.

Memorandum on Production and Trade. 47 p.*Memorandum on Balance of Payments and Foreign Trade Balances, 1911-1925.* 2 vols., 239, 812 p.*Memorandum on Currency and Central Banks, 1913-1925.* 2 vols. 104, 214 p.*Report of the Trade Barriers Committee of the International Chamber of Commerce.* 33 p.*Final Report of the Trade Barriers Committee of the International Chamber of Commerce.* 40 p.*Principal Features and Problems of the World Economic Position from the Point of View of the Different Countries.* 5 vols. 38, 34, 35, 31 43 p.

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*International Statistical Year-Book, 1926.**Monthly Bulletin of Statistics (1919-).*

II. COMMERCE

INTERNATIONAL ECONOMIC CONFERENCE, 1927.

Tariff Level Indices. 38 p.*Abolition of Import and Export Prohibitions and Restriction.* 33 p.*Memorandum on the Legislation of Different States for the Prevention of Dumping, with Special Reference to Exchange Dumping.* By Dr. Trendelenburg. 33 p.*Commercial Treaties: Tariff Systems and Contractual Methods.* By D. Serruys. 15 p.

III. INDUSTRY

INTERNATIONAL ECONOMIC CONFERENCE, 1927.

Memorandum on Coal. 2 vols., 75, 56 p.*Memorandum on Iron and Steel Industry.* 113 p.*Memorandum on Cotton.* 78 p.*Natural Silk Industry.* 34 p.*The Artificial Silk Industry.* 51 p.*Shipbuilding.* 48 p.*The Chemical Industry.* 134 p.*Potash Industry.* 27 p.*Electric Industry.* 121 p.*Mechanical Engineering.* 2 vols., 193, 92 p.*Summary Memorandum on Various Industries.* 40 p.*Scientific Management in Europe.* 15 p.

IV. AGRICULTURE

INTERNATIONAL ECONOMIC CONFERENCE, 1927.

Agricultural Problems in Their International Aspects. 662 p.*Part Played by Cooperative Organizations in the International Trade in Wheat, Dairy Produce, and Some Other Agricultural Products.* 46 p.*The Relation of Labor Cost to Total Costs of Production in Agriculture.* 66 p.

V. PREPARATORY COMMITTEE PAPERS

LEAGUE OF NATIONS

Estimate of the Working Population in Certain Countries in 1931 and 1941. By Professor Arthur Lyon Bowley. 19 p.*Methods of Economic Rapprochement.* By Professor Eugene Grossmann. 36 p.*Stability of Customs Tariffs.* By M. J. Brunet 11 p.*Memorandum on Dumping.* By Professor Jacob Viner. 19 p.*Cartels and Combines.* By Dr. Kurt Wiedenfeld. 36 p.*Cartels and Trusts and their Development.* By Paul de Rousiers. 24 p.*International Cartels.* By D. H. MacGregor. 7 p.*The Social Effects of International Agreements. The Protection of Workers and Consumers.* By Professor William Oualid. 35 p.*Memorandum on Rationalization in the United States.* By the Honorable David Houston. 9 p.*Memorandum on Discriminatory Tariff Classifications.* By W. T. Page. 11 p.*Memorandum on European Bargaining Tariffs.* Transmitted by W. T. Page. 14 p.*Recent Monopolistic Tendencies in Industry and Trade: Being an Analysis of the Nature and Causes of the Poverty of Nations.* By M. Gustav Cassell. 45 p.

*These documents can be purchased from The World Peace Foundation, Boston.

